Confidential.

D.O. No. C/2321/211

The Residency,

15th January 1923.

My Dear Panerji,

Please refer to your confidential and demi-official letter No. R. 41 dated the 14th January 1923, on the subject of the Surplus Revenues of the Assigned Tract of Bangalore.

2. The questions raised by the Mysore Government in their letter No. 455, dated the 15th October 1920 will again be submitted to the Government of India. At the same time I am of opinion that the Government of India intended that the communication to the Mysore Government of passages from the Residency letter, dated the 12th November 1920, dealing with the representation made in their letter of the 15th October 1920, should be considered as a reply to the contentions raised in that letter. The Government of India observe that the claims advanced by the Government of Mysore to the retention of the surplus have been effectively disposed of in the arguments set out in the Residency letter, and they directthat the views expressed should be communicated to the Mysore Government, as the views of the Government of India. There can, I think, in the fact of these observations be no question whatever that the Government of India intended that their letter should finally dispose of the contentions advanced by the Government of Mysore.

3. The weakness of your case lies in the fact that in the arguments advanced in October 1920 you omit. mention of oneof the most important of the series of pronouncements made by the Government of India with regard to the surplus revenues. I refer to the statement that the administrative needs of the tract constitute a first

charge on its revenues, and that the Government of India are the sole arbiter as to the nature and extent of those needs. Anything said in 1912 was subject to this earlier condition. That it was always implied that the Government of India had reserved to themselves full authority to deal as they choose with the revenues or for the purposes of the Tract, is clearly apparent from the emphatic assertion in 1917 that the payment of any part of the surplus both as regards the method of computation and the manner of payment is an act of grace, the Durbar not being entitled to claim any share in the revenues as a matter of right. I may perhaps tell you that the full weight of the authority of the Imperial Government lies behind this statement.

4. The Tract was assigned to the British Government in full jurisdiction under the Instrument of Transfer, and the arrangement carried with it the rights of Mysore to the revenues. A vague promise was made soon after the transfer, that if a substantial surplus should accrue over and above the administrative needs of the tract, some allowance might be made on that account in calculating the subsidy payment. There is no room for any 'claim' here, nor was anything in the nature of a 'claim' admitted in 1912.

5. I have written at some length because I feel it would be quite useless from your point of view simply to ask the Government of India to consider the representations put forward in your letter already cited. You have to meet the arguments on the other side.

6. I am in some uncertainty as to what His Highness' ideas were on the subject in May last year. I believe his desire was that the accumulated surplus should be handed over and that a fixed annual payment equivalent to a rent should be made for the tract by the Government of India. I believe His Excellency the Viceroy told His Highness that a

fixed annual payment was impossible. It was decided, in view of the financial embarrassments of the Durbar, and of the delay likely to occur in carrying out schemes already sanctioned in principle, to pay 13 lakhs to your Government out of the surplus. The right of the Mysore Government to challenge the authority of the Government of India to spend the surplus on schemes they judged to be for the benefit of the Station was not admitted. That is how the case stands. Perhaps you may wish to amplify the former arguments. If not, I will ask the Government of India to pass formal orders on the representation made in 1920. You will understand that if any change of policy is contemplated a reference to the Secretary of State would be necessary.

Yours sincerely,

Sd/ W. P. Barton.

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